Highlights of the *JOBS Act*
May 2011

<u>THE PROBLEM</u>

- **Massive Unemployment Tax Hikes:** Since the recession started in 2007, States have paid record unemployment benefits. To pay for those benefits, State unemployment taxes have already risen by 44% in the past two years, with more tax hikes ahead. Plus 33 States have borrowed $45 billion in Federal funds – forcing them to raise taxes *even more* to repay those loans.

- **Taxes Hurt Job Creation:** Unemployment taxes are payroll taxes on jobs. So these tax hikes are hurting job creation needed to help Americans get back to work.

- **Federal Unemployment Benefits Are Poorly Targeted:** Currently up to 99 weeks of unemployment benefits are paid, including up to 73 weeks paid 100% by the Federal government, an all-time record. But 70% of that Federal spending is poorly targeted, meaning it is spent regardless of how *low* a State's unemployment rate is. For example, in North Dakota unemployment is 3.6%, yet the unemployed can collect 60 weeks of benefits, including 34 weeks paid 100% by the Federal government.

- **Federal Law Is Too Restrictive:** The States are not at fault – Federal law is. Current Federal law forces States to pay benefits that may make no sense given local conditions. Those Federal laws will operate through the end of 2011, spend an estimated $31 billion, but prohibit that money from being used for anything other than unemployment benefits lasting up to 99 weeks.

<u>THE SOLUTION</u>

- **Forward Funding and Flexibility:** To help States keep unemployment taxes down and promote hiring, Congress should "forward fund" current temporary Federal unemployment funds and give States more flexibility in spending it – not just to pay benefits but also to prevent job-destroying tax hikes.

<u>THE DETAILS OF THE JOBS ACT</u>

- **State Flexibility = Paying Benefits & Preventing Tax Hikes:** The *"Jobs, Opportunity, Benefits, and Services Act"* gives States flexibility in how they can spend their share of $31 billion in remaining temporary Federal unemployment funds, allowing them to use it for: (1) regular or extended unemployment benefits; (2) preventing unemployment tax hikes; (3) paying interest or principle on Federal unemployment loans; or (4) promoting job creation and hiring through the use of reemployment services, including wage subsidies.

- **States Can Continue Paying up to 99 Weeks of Benefits:** Each State could continue paying exactly the same benefits as today – as many as 99 weeks – and have all the money they need to do so. In fact, absent action by a State legislature, that is exactly what will happen. But States will have the ability to decide fewer weeks of benefits make more sense, and use any savings to prevent job-destroying unemployment tax hikes. The choice would be theirs, not Washington's. It's that simple.

- **Commonsense Work and Education Requirements:** The JOBS Act also includes reforms that (1) strengthen job search requirements, (2) require those most likely to exhaust unemployment benefits without finding a job (such as people without a high school degree) to engage in education or training they need to improve their chances of finding work, and (3) allow States to test innovative strategies to help the unemployed find work.

- **Not One Dime Added to the Deficit:** The JOBS Act does <u>not</u> add to the deficit. And by promoting lower taxes and more hiring, it will strengthen the economy and help create more jobs.